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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Division of Oil, Gas and Mining

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Division Director

June 11, 2015

Jay Gatten
Desert Mountain Gold LLC
447 North 300 West, Suite 3
Kaysville, Utah 84037

Subject: Response to May 21, 2015, Letter, Amnor Energy, Inc., Coyote Knoll Mine,
S/023/0086, Juab County, Utah

Dear Mr. Gatten:

I am writing in response to your letter dated May 21, 2015, concerning the Coyote Knoll mine.

The letter refers to an enclosed inspection report and says, "... the Utah DNR agrees to accept the well water rights in exchange for the well not being reclaimed." This is not correct. The report states, "The BLM will agree to letting the water well and tank remain on site if the water right is transferred tot he [sic] BLM." The letter says the former owner of the claim, Desert Mountain Gold, is in litigation with Amnor Energy, Inc., regarding ownership of the claims, and it is Desert Mountain's contention that Amnor does not have the authority or rightful ownership to enter into negotiations concerning the water right.

Potential transfer of the well and associated water rights is outside the jurisdiction of the Division of Oil, Gas and Mining (Division). In meetings between the operator, the Bureau of Land Management (BLM), and the Division, the operator has expressed interest in transferring ownership of the well and the water rights associated with the well to the BLM. The operator has a responsibility to reclaim the well as part of the mine reclamation, and the Division is willing to allow the well to remain if another party accepts the liability for reclamation or long-term maintenance and if there appears to be a post-mining use for the well.

The fifth paragraph of the letter says you "... would like to see a cease and desist until either Desert Mountain's Motion for Partial Summary Judgment (now pending) is awarded, or the parties arrive at an alternative understanding." The letter says Desert Mountain Gold does not want the mine to be reclaimed because they will be moving the mine forward if the claims are reassigned to them.



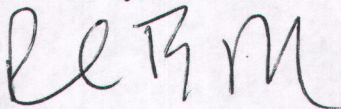
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At this time, Amnor is the permittee and has the right to mine or to reclaim. The Division has no basis for issuing a cessation order to Amnor since, to the Division's knowledge, Amnor is in compliance with the Mined Land Reclamation Act.

The R647 rules require that the operator submit surface and mineral ownership information, but they do not provide for the Division to mediate in resolution of disputes concerning ownership. The rules do not even say that the operator has to have right of entry since this issue is addressed in trespass and other laws. There are occasions where an operator has a valid mine permit (or Notice of Intention) but cannot mine because the operator has somehow lost its right of entry. A transfer of the permit is the logical solution to this problem, but this must be negotiated between the parties, not by the Division.

I understand this letter does not supply the remedies you would like, but there are limits to the Division's authority. I will contact you so we can arrange a meeting where you can explain the ongoing litigation.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Baker'.

Paul Baker
Minerals Program Manager

PBB: eb

cc: Joelle McCarthy, Fillmore BLM (jmccarth@blm.gov)
Greg Kofford, Amnor Energy

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